



May 21, 1998

Randy Harden
Mine Engineer
Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

Dear Mr. Harden:

Please find enclosed two originals for the Drum Mine site characterization agreement between Western States Minerals Corporation and the Utah Division of Oil, Gas and Mining. If this agreement meets your approval, please sign both originals and mail one back to Western States Minerals Corporation.

The samples I collected at the Drum Mine site were delivered today, May 20, 1998, to McClelland Laboratories, Inc. I told Clayton, McClelland manager, not to do any testing or preparation work until he heard back from me. Clayton is reworking the bid numbers, and as soon as he delivers them to me, I'll pass them on to you.

Nine (9) growth media samples were collected at the Drum Mine site and delivered to the USU analytical Lab at Utah State University. Approximate cost for each sample is \$50.00.

Myself and Chuck Cundick are planning to complete the remaining sampling for the Drum Mine site during the first week of June. I hope all agreements and labs can be approved by this time.

If you have any questions, please contact myself or Buzz Gerick at (702) 856-3339.

Sincerely,

A handwritten signature in black ink, appearing to read "James Ashton".

James Ashton
Project Engineer

Enclosures:

2 originals of Agreement

AGREEMENT

This Agreement between the Utah State Department of Natural Resources, Division of Oil, Gas and Mining (DOGM), and Western States Minerals Corporation (WESTERN) contemplates collection and analysis of samples taken at the Drum Mine site. DOGM and WESTERN share an interest in collecting, sampling and analysis of certain features at the Drum Mine area, because both parties are actively engaged in determining appropriate closure and reclamation plans for various portions of the entire mine site. DOGM is conducting reclamation work under bond forfeiture by Jumbo Mining Company (JUMBO) and WESTERN is conducting reclamation work within their designated portions of the Drum Mine permit area. DOGM and WESTERN shall share in the costs and results of sampling information taken at the mine site in order to determine the mitigation requirements necessary for reclamation of the entire mine site. Sample analyses will be used to determine appropriate reclamation treatments and to evaluate soil and cover materials needed for reclamation.

WESTERN has proposed and DOGM has evaluated the scope of work planned by both parties at the Drum Mine site. Those portions of the site work related to JUMBO's permit area are as described in DOGM/BLM's sampling plan dated April 6, 1998. More specifically, the sites requiring sampling related to JUMBO are: HG-1, HG-2, HG-3, HG-4&5 and the pregnant and barren ponds. Sampling will require the excavation of 27 test pits from which approximately 135 samples will be collected. Additionally, samples of the pond solution and sludge will also be taken. The portions of the site work related to WESTERN's permit area are as described in the *Characterization Sampling Program for Heap Leach Pads and Waste Rock Dumps Located at the Drum Mine*, dated November 1997 and *Addendum* dated February 3, 1998. To equitably share in the costs and activities associated with the collection and sampling requirements for the entire site, DOGM and WESTERN agree as follows:

WESTERN shall be responsible for conducting and funding all field work necessary to locate, identify, collect and store samples taken at the Drum Mine site and deliver them to the selected laboratory for analysis. As of this date, WESTERN has collected the samples for which it is responsible including samples for potential growth media borrow areas. Since time is of essence, it is proposed that this agreement be consummated no later than May 29, 1998, so that the DOGM portion of the DRUM sampling can begin no later than June 2, 1998. If this deadline cannot be met, WESTERN declines to participate in this agreement and will proceed independently with its own analyses and will not be responsible for DOGM's sampling.

DOGM shall identify a suitable laboratory to conduct the sample preparation, analysis and reports necessary for the samples. Laboratory selection shall be in accordance with the Utah Procurement Code which may require a competitive bidding process of qualified labs. DOGM then will pay for the direct costs associated with all laboratory work.

So agreed this 21 day of May, 1998.

DOGM

[Signature]
Associate Director,
Mining

WESTERN

[Signature]
Edward M. Gerick,
Vice President Operations



STATE OF UTAH
DIVISION OF PURCHASING
SOLE SOURCE REQUEST

DP-5 12/90

Sole Source Procurement is an option only if a purchase requirement is reasonably available from a single supplier, or if it otherwise qualifies under Utah Administrative Code R24-1-3-401. SEE REVERSE SIDE OF THIS FORM FOR TEXT OF THE RULE.

ATTACH THIS COMPLETED FORM TO THE PURCHASE REQUISITION DP-1 WHEN SUBMITTING A REQUEST FOR SOLE SOURCE PURCHASE BY PURCHASE ORDER, BUT IF PURCHASE IS TO BE MADE BY AN AGENCY CONTRACT SUBMIT THIS FORM FOR PRIOR APPROVAL BEFORE CONTRACT NEGOTIATIONS.

AGENCY REQUESTING AUTHORIZATION:
ITEM(S) TO BE PURCHASED:

APPROXIMATE COST: \$
RECOMMENDED VENDOR OR CONTRACTOR: (Name & Address)

SOLE SOURCE STATUS DETERMINED AS FOLLOWS: (List all vendors or contractors contacted and describe criteria used to determine sole source status of the one recommended - - ATTACH ADDITIONAL PAGES IF MORE SPACE IS NEEDED).

REQUESTED BY:

APPROVED:

Agency Signature
Date:

Douglas G. Richins, Director
Division of Purchasing
Date:

UTAH ADMINISTRATIVE CODE
R24-1-3-4
SOLE SOURCE PROCUREMENT

3-401 Conditions for Use of Sole Source Procurement

Sole source procurement shall be used only if a requirement is reasonably available from a single supplier. A requirement for a particular proprietary item does not justify a sole source procurement if there is more than one potential bidder or offeror for that item

Examples of circumstances which could necessitate sole source procurement are:

- (1) where compatibility of equipment, accessories, replacement parts, or service is a paramount consideration;
- (2) where a sole supplier's item is needed for trial use or testing;
- (3) procurement of items for resale;
- (4) procurement of public utility services;

The determination as to whether a procurement shall be made as a sole source shall be made by the procurement officer. Each request shall be submitted in writing by the using agency. Such officer may specify the application of such determination and its duration. In cases of reasonable doubt, competition should be solicited. Any request by a using agency that a procurement be restricted to one potential contractor shall be accompanied by an explanation as to why no other will be suitable or acceptable to meet the need.